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19 June 1956

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MEMORANDUM FOR: Director Central Intelligence

THROUGH: Deputy Director/Intelligence

SUBJECT: The Political Situation in Guatemala

1. The Communist Party of Guatemala, which was decisively defeated two years ago, seems to be well on its way toward recovery, while the present government under Castillo Armas is displaying increasingly serious weaknesses. Although there is no reason to believe that the government is likely to be overthrown by external or internal forces within the next few months, there is good ground for concern over its longer range prospects.

2. The CP of Guatemala, outlawed since the overthrow of the Arbenz regime and harassed by the security forces of the present government, has managed to reconstitute its underground organization, to set up new cells and to recruit new members "according to plan".

It is exiled groups appear to be well entrenched in neighboring countries, especially in Mexico. They have been able to smuggle clandestine literature into the country. Some exiled officials of the Guatemalan CP hold positions in international Communist organizations. For example, the Communist labor union leader Victor Manuel Gutierrez and Carlos Manuel Pellecer are employed by the CTAL in Mexico and by the WFTU in Prague, respectively.

3. Both in the underground inside the country and among the exiles abroad, the Communists, though a minority, appear to play a key role. As a result of better organization, stricter discipline and foreign support, they are able to continue the function of "leading minority" which they exercised so effectively during the Arbenz regime. There have been reports that "The Communists are now in control. . . They occupy more and more public posts." Or "The Communist exiles are in day-to-day contact with covert associates. . . within the present government". These reports are probably biased and exaggerated, but they indicate that at least the "negative prestige" of the Communist Party is again rising among its enemies.

4. Whatever the actual strength of the Guatemalan CP may be, it would not cause us serious concern if we could rely on the basic stability of the Castillo Armas regime. Its security forces seem to be alert against the Communist underground, as the latter is forced

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to admit [REDACTED] The government is reported to have undertaken considerable anti-Communist propaganda (cf. Joint Weeks #20, U.S. Embassy Despatch 583). Nevertheless the overall political, economic and social position of the Government is such as to cast doubts on its ability to maintain a firm check on the forces of subversion.

5. When Castillo Armas overthrew the Arbenz regime, he was welcomed and supported by most of the non-communist elements in the country. Today, however, many of Castillo's supporters appear either to have turned against him or to have withdrawn into apathetic indifference. His support among the professional officers of the Army appears to have been weakened, and some of the officers in key positions are reported to have joined the opposition. His political party won the elections to the Constituent Assembly only through the use of concentrated government pressure and in the face of popular lack of interest. Several anti-Communist sources have accused his government of widespread corruption in high places and of general inefficiency. [REDACTED] 25X1A2g

6. The mass of the population of Guatemala consists of poor peasants, including laborers, farm and industrial workers or artisans. These were the two sources of Communist strength under the Arbenz regime. Castillo Armas removed the Communists from the leading positions in farmers' and labor unions and corrected certain excesses of the Communist-sponsored agrarian reforms, but he has failed thus far to offer peasants and workers a constructive alternative. Peasant labor unions have been restricted to farms employing more than 500 men, leaving the great majority without any representation. [REDACTED] 25X1A2g

Labor dissatisfaction with the Castillo Armas regime came into the open on May day. "The workers, in an apparently well-planned maneuver, booed the scheduled speakers, some of them government officials, off the platform and cheered five substitutes, some of them leaders under the regime of Arbenz. These speakers took over the meeting and vigorously attacked the Government's labor policies". (NEW YORK TIMES, 6 May 1956, "Unrest of Labor Stirs Guatemala").

7. In the opinion of IHS, steps should be taken immediately to cope with the adverse trends which are beginning to appear in Guatemala. It goes without saying that the downfall of the Castillo Armas regime would be a major blow to US prestige and a powerful propaganda theme for International Communism. We suggest that measures to strengthen the present government should not be limited to economic aid, but should provide guidance toward greater political stability, broader popular support, increased administrative efficiency and progressive solutions of the social and economic problems of the country.

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